

MEMORANDUM

TO: Department of Employment and Social Development, Government of Canada

FROM: Peter Jon Mitchell, Family Program Director
Andreae Sennyah, Director of Policy

DATE: September 12, 2024

SUBJECT: Response to the Engaging on Early Learning and Child Care Discussion Guide

WHO WE ARE

Cardus is a non-partisan think tank dedicated to clarifying and strengthening, through research and dialogue, the ways in which society's institutions can work together for the common good.

ISSUE

The Government of Canada's child care strategy focuses on four components; quality, affordability, accessibility, and inclusivity. In addition to these components, publications like the *Engaging on Early Learning and Child Care Discussion Guide* champion flexibility.¹ However, the Canada-wide Early Learning and Child Care (CWELCC) approach has proven to be inflexible, particularly for low-income families. This memo identifies why the program does not meet the needs of many of these families, and offers the Government of Canada recommendations to better serve all Canadian families.

ANALYSIS OF CHALLENGES

How are low-income families underserved by the Canada-wide program?

The challenges in effectively serving low-income families are complex. As the examples below demonstrate, the Canada-wide funded initiatives require low-income families to conform to the provision of care determined by governments, rather than supporting families with the forms of care that best suit their needs. These examples from our analysis of the implementation of CWELCC show that the challenge is not simply a matter of insufficient funding levels. In fact, in the early years of implementation funding for a number of initiatives intended to help low-income families has gone unspent or been diverted to other initiatives.

A) Low-income families are less likely to use licensed care.

The provinces and territories have traditionally subsidized licensed care for lower-income families. In some cases, families pay no fees for care. Despite these subsidies, Canadian studies show that low-income families are less likely to use licensed child care than their higher income peers.² The reduction of parental fees under the Canada-wide program has primarily lowered fees for higher income families who were already using licensed care. The program offers little benefit to low-income families who depend on non-parental care outside the licensed CWELCC options.

¹ "Engaging on Early Learning and Child Care Discussion Guide," Government of Canada, July 2024, https://www.oise.utoronto.ca/home/sites/default/files/2024-07/ca_01_07_24-engaging-on-early-learning-and-child-care-discussion-guide-july-2024.pdf.

² Leanne Findlay, "Early Learning and Child Care for Children Aged 0 to 5 Years: A Provincial/Territorial Portrait," Economic Insights, Statistics Canada, July 2019, <https://www150.statcan.gc.ca/n1/en/pub/11-626-x/11-626-x2019013-eng.pdf?st=rawdSNOX>, 14.

B) Low-income families are more likely to need non-standard hour care.

Low-income families who use non-parental care are more likely to require care on weekends, evenings, or overnight compared to higher income families. This is one factor contributing to lower use of licensed child care among low-income families. Statistics Canada data reveal that “Unlicensed home-based providers were more likely to offer child care during non-standard hours (that is, evenings, weekends, and overnight) and were more likely to offer flexible child care (16%) in comparison to centres (11%) and licensed homes (8%).”³ Families who use non-standard hour care options outside the Canada-wide system receive little support.

The provision of after-hours care can be a significant expenditure for many child care operators. Limited supply of non-standard hour care remains a challenge, even in highly subsidized systems. One report stated, “researchers find non-standard hours child care is scarce even in Québec, where mothers still express gratitude for their ‘luck’ in finding regulated child care.”⁴

C) CWELCC funded initiatives directed towards low-income families have had mixed results.

The Canada-wide program has lowered average parental fees, but this reduction has not resolved inequitable access to the program among low-income families. Many regions have introduced targeted programs to boost participation in licensed care among low-income families with mixed results.

For example, Manitoba allocated \$16 million in CWELCC funds to create 1,700 non-standard-hour spaces in the second year of the agreement. The project was paused after the province spent just \$110,000 to create 191 spaces.⁵ The province also allocated funds toward a pilot project to provide 100 free spaces for children of parents transitioning from Employment and Income Assistance into the workforce. Despite \$3 million in funding, the project was placed on hold and the money was reallocated to other projects.⁶

New Brunswick pledged to develop a program to provide care for 100 low-income 4-year-olds in the second year of the CWELCC agreement. While New Brunswick was optimistic it could eventually reach the goal, progress was slowed by the lack of sufficient procedures to protect client privacy⁷

Nova Scotia committed to offering free school-based care for 2,000 low-income 3-year-olds, but cancelled the program after registering just eight children.⁸

³ “The Daily - Canadian Survey on the Provision of Child Care Services, 2022,” Statistics Canada, March 22, 2023, <https://www150.statcan.gc.ca/n1/en/daily-quotidien/230322/dq230322b-eng.pdf>, 2.

⁴ Donna Lero et al., “Non-Standard Work and Child Care in Canada: A Challenge for Parents, Policy Makers, and Child Care Provision,” Childcare Resource and Research Unit and University of Guelph, 2019, [https://www.childcarecanada.org/sites/default/files/Non%20standard%20work%20and%20child%20care%20in%20Canada_Final_\[PDF_pp_227\]_0.pdf](https://www.childcarecanada.org/sites/default/files/Non%20standard%20work%20and%20child%20care%20in%20Canada_Final_[PDF_pp_227]_0.pdf), 25–26.

⁵ Peter Jon Mitchell, “Child Care Funding Update: Manitoba—Years One and Two (2021–22 and 2022–23),” Cardus, August 29, 2024, <https://www.cardus.ca/research/family/research-brief/child-care-funding-update-manitoba-years-one-and-two-2021-22-and-2022-23/>, tbl. 3.

⁶ Mitchell, “Child Care Funding Update: Manitoba,” tbl. 3.

⁷ “Canada-New Brunswick Canada-Wide Early Learning and Child Care Agreement. Annual Report for Fiscal Year 2022-2023,” The Province of New Brunswick, https://www2.gnb.ca/content/dam/gnb/Departments/eco-bce/Promo/early_childhood/elcc-agreement-annual-report-2022-2023.pdf, 9.

⁸ Peter Jon Mitchell, “Child Care Funding Update: Nova Scotia—Years One and Two (2021–22 and 2022–23),” Cardus, August 29, 2024, <https://www.cardus.ca/research/family/research-brief/child-care-funding-update-nova-scotia-years-one-and-two-2021-22-and-2022-23/>, tbl. 3.

In British Columbia the Ministry of Children and Family Development leverage CWELCC and other bilateral agreement money toward an “equity-driven approach” to serving families. A portion of the funding was redirected after the province ran into staffing challenges.⁹

Ontario announced that future provincial subsidies for low-income families will only be available for children in centres participating in the Canada-wide program.¹⁰ Tethering provincial funding for low-income families to CWELCC centres reduces child care options for these families.

RECOMMENDATIONS

The Government of Canada should adopt a broader understanding of child care as the care of a child, no matter who provides that care. The current approach is narrow, inflexible, and does not recognize the diverse forms of care families choose. Our research on the implementation of the agreements shows that on a provincial level, the current CWELCC agreements are failing to meet targets, and discriminate against parents based on the type of care they choose. The vast majority of Canadian parents receive no benefit from these agreements. Further, many low-income families are underserved by the Canada-wide program.

While the federal government has historically provided provinces with funding for child care, the regulation and provision of child care is not within federal jurisdiction. As provinces and territories legislate, regulate and administer these funds for licensed care, many of the operational challenges lie beyond the jurisdiction of the Government of Canada. This highlights the jurisdictional complexity of the CWELCC agreements where funds are administered for certain types of care, giving limited flexibility to provinces to meet the needs of diverse populations. Given this complexity, child care policy should focus on strengthening the capacity of all families to raise their children in the manner they choose, instead of promoting only certain forms of child care.

- **Recommendation 1:** End the Agreements and give provinces maximum flexibility to administer funds directly to parents.
 - **If recommendation 1 is not implemented, we recommend the following**
 - **Recommendation 1.1:** Amend the Agreements so that money flows directly to parents instead of allocating money for spaces.
 - Cardus’s 2021 study on child care funding, conducted before the agreements were signed, estimated the following: “If the federal money alone were allocated to children rather than to spaces, the per-child amount would be \$3,869 annually. If the federal and provincial monies allocated in our low estimate went to children under age six, each could receive \$5,626 annually. If the monies allocated in our high estimate went to children under age six, each could receive \$13,667 annually. If the payments were allocated via a means-

⁹ “Canada-British Columbia Canada Wide Early Learning and Child Care Agreement: Report on Progress and Results Achieved in 2022-2023,” Province of British Columbia, October 2023, https://www2.gov.bc.ca/assets/gov/family-and-social-supports/child-care/cw_elcc_annual_report_2022_23.pdf, 9–10.

¹⁰ Allison Jones, “Ontario Cutting Funding from Daycare Centres Not in \$10-a-Day Program,” Toronto Star, September 6, 2024, https://www.thestar.com/news/ontario/ontario-cutting-funding-from-daycare-centres-not-in-10-a-day-program/article_b8bfa63e-007a-5cf4-a6d6-534edb3799da.html.

tested vehicle like the Canada Child Benefit, those with the lowest incomes would stand to receive significant benefit.”¹¹

- **If recommendation 1.1 is not implemented, we recommend the following Recommendation 1.2:** Amend the Agreements to ensure that low-income families have the highest access to subsidized care. The Government of Canada should seek direct input from low-income families about their preferences for the care of their children, given that the approaches attempted under these agreements have been unsuccessful.

The Government of Canada can effectively serve all Canadian families by enhancing existing federal programs:

- **Recommendation 2:** The Child-Care Expense Deduction should be converted to a refundable credit, and the two-thirds limit on the lower income earner should be removed. These two actions would increase the effectiveness of the benefit for low-income families. The Government of Canada should explore ways to advance the payout over a set duration so low-income families have the money on hand to pay for care as they need it.¹²
- **Recommendation 3:** The young child supplement of the Canada Child Benefit that ended December 31, 2021 should be permanently reinstated for children under age six. Payments should be made available before the birth of the child, or the first payment should retroactively cover the third trimester. This would deliver the benefit to families as their expenses increase while their earnings decrease when a child arrives. This could help put families in a better financial position when the time comes to make decisions about care.¹³

¹¹ Andrea Mrozek, Peter Jon Mitchell, and Brian Dijkema, "Look Before You Leap: The Real Costs and Complexities of National Daycare," Cardus, 2021, <https://www.cardus.ca/research/family/reports/look-before-you-leap/>.

¹² For additional discussion see Peter Jon Mitchell and Andrea Mrozek, "Family Policy Brief," Cardus, April 7, 2021, <https://www.cardus.ca/research/family-policy-brief/>.

¹³ For additional discussion see Mitchell and Mrozek, "Family Policy Brief."